



BULLETIN OF EU AND US INFLATION AND MACROECONOMIC ANALYSIS

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Instituto Flores de Lemus

Note of BIMA 250 August 2015

July 17, 2015

Director_Antoni Espasa

INFLATION FORECAST IN U.S

The reduction in oil prices counteracts the labour market data and the innovation in Owners' equivalent rent of residences, leaving inflation expectation almost unaltered.

In June, labour market data and Owners' equivalent rent of residences, surprised upwards. However, that was counteracted by a 10% reduction in oil prices, leaving inflation expectation in similar levels to the previous month.

The expected value for year-on-year CPI in July is 0.3%.

The expectations on the average annual core CPI in 2015 have been revised 0.1 points upwards, to 1.9%. In the case of average annual core PCE, the forecasts remain the same, in a 1.2%.

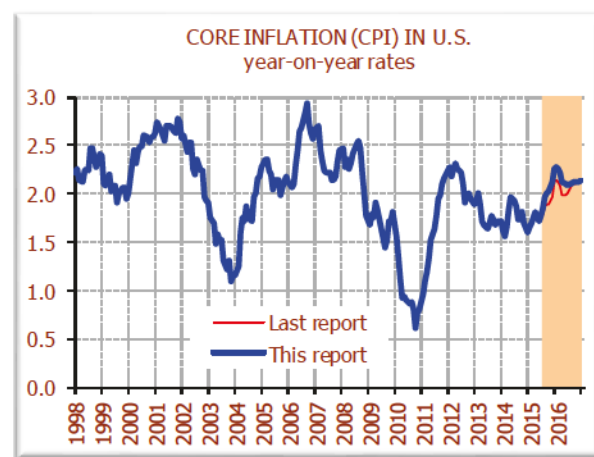
<http://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20150318.pdf>

Table 1

DIFFERENT MEASURES OF INFLATION IN THE U.S.						
Annual rates of growht						
		Total	Core			
		CPI	CPI	PCE	MB-PCE	
Annual Average Rates	2013	1.5	1.8	1.3	1.2	
	2014	1.6	1.7	1.4	1.2	
	2015	0.3	1.9	1.4	1.2	
	2016	1.8	2.1	1.8	1.7	
	2017	2.0	2.2	1.9	1.8	
YEAR-ON-YEAR RATES	2014	August	1.7	1.7	1.5	1.3
		September	1.7	1.7	1.5	1.3
		October	1.7	1.8	1.5	1.3
		November	1.3	1.7	1.4	1.2
		December	0.8	1.6	1.3	1.2
	2015	January	-0.1	1.6	1.3	1.1
		February	0.0	1.7	1.3	1.1
		March	-0.1	1.8	1.4	1.1
		April	-0.2	1.8	1.3	1.1
		May	0.0	1.7	1.2	1.1
		June	0.1	1.8	1.2	1.1
		July	0.3	1.8	1.3	1.1
		August	0.4	2.0	1.3	1.1
		September	0.5	2.0	1.4	1.2
		October	0.6	2.0	1.4	1.3

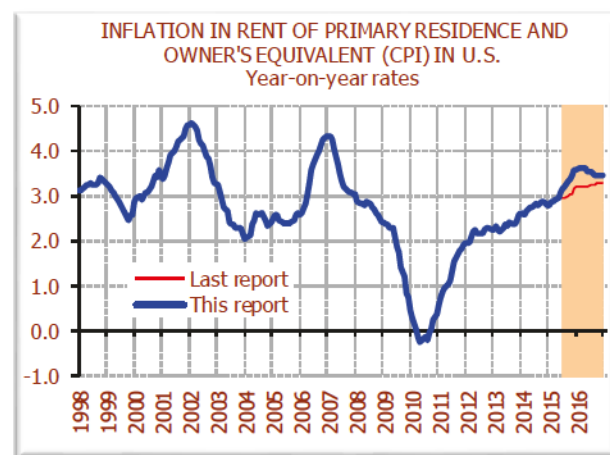
Source: BLS & BIAM(UC3M)
Date: July 17, 2015

Graph 1



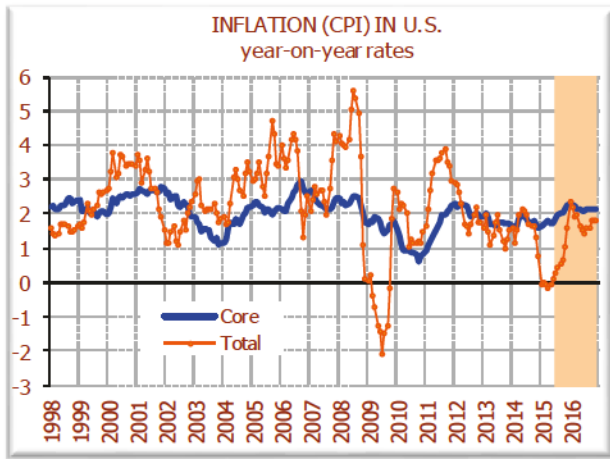
Source: BLS & BIAM(UC3M)
Date: July 17, 2015

Graph 2

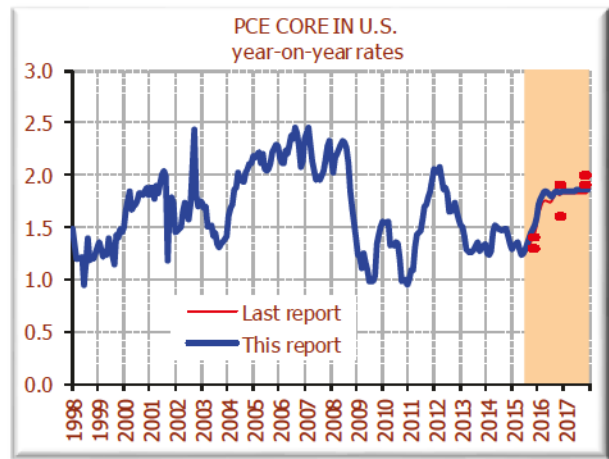


Source: BLS & BIAM(UC3M)
Date: July 17, 2015

Graph 3

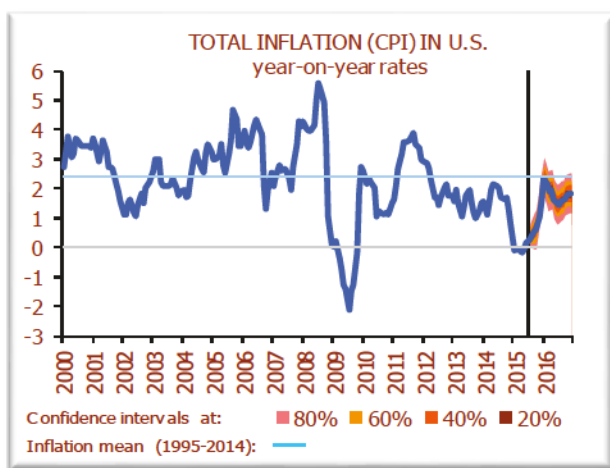


Graph 4

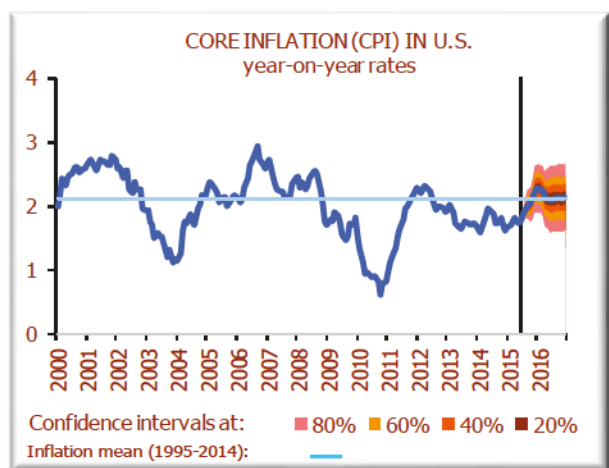


The red dashed lines represent the central tendency projected by the FOMC for core PCE (from the fourth quarter of the previous year to the fourth quarter of the year indicated)

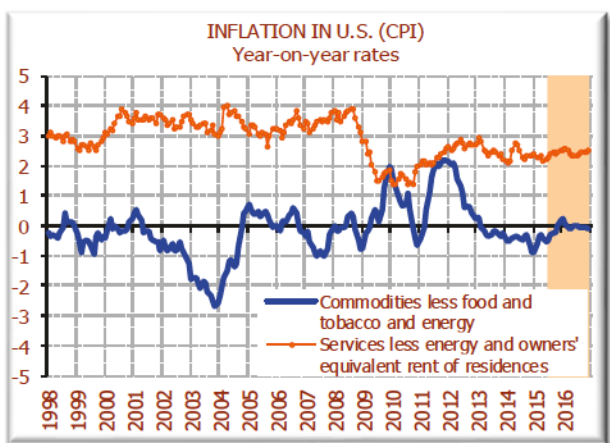
Graph 5



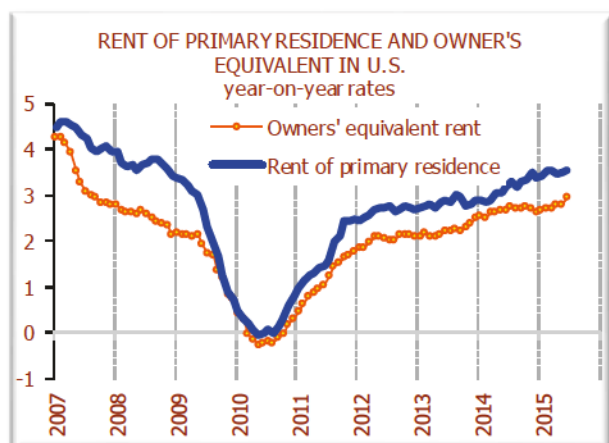
Graph 6



Graph 7



Graph 8

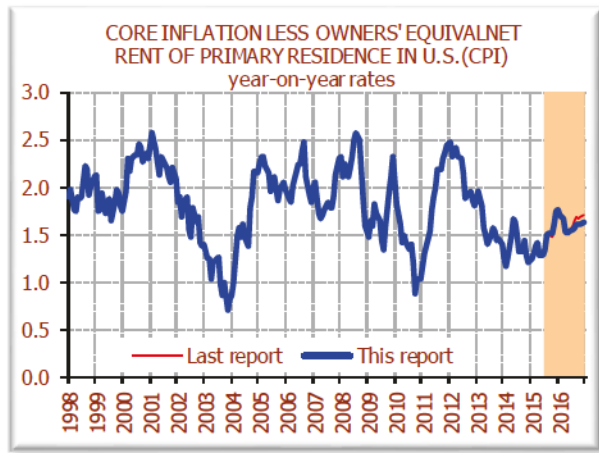


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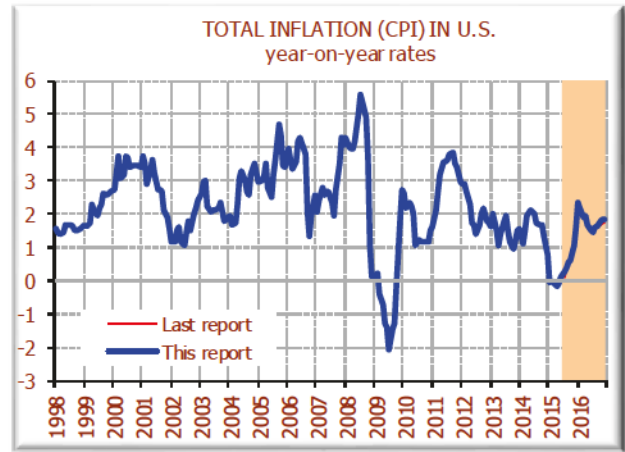
INFLATION FORECAST IN U.S.

Graph 9



Source: BLS & BIAM(UC3M)
Date: July 17, 2015

Graph 10



Source: BLS & BIAM(UC3M)
Date: July 17, 2015

Table 2

CONSUMER PRICE INDEX IN U.S. Monthly rates June, 2015				
	Relative Imp. Dec. 2013	Observed	Forecasts	Confidence Intervals*
TOTAL INFLATION	100.0	0.35	0.36	0.12
less Owner's equivalent rent of primary residence	77.5	0.35	0.41	0.15
CORE INFLATION	77.1	0.10	0.09	0.09
less Owner's equivalent rent of primary residence	54.6	0.00	0.04	0.12
Non-food and non-energy goods	19.7	-0.39	-0.28	0.22
Less tobacco	19.0	-0.44	-0.33	0.26
- Durable goods	9.2	-0.13	-0.17	0.30
- Non-durable goods	10.5	-0.61	-0.38	0.30
Non-energy services	57.4	0.26	0.21	0.07
- Services less Owner's equivalent rent of primary residence	34.8	0.21	0.22	0.11
- Owner's equivalent rent of primary residence	22.5	0.34	0.20	0.09
RESIDUAL INFLATION	22.9	1.24	1.30	0.34
Food	13.9	0.20	-0.14	0.20
Energy	9.0	3.05	3.81	0.79

Source: BLS & BIAM(UC3M)
Date: July 17, 2015

INFLATION FORECAST IN U.S.

Table 3

CONSUMER PRICE INDEX AND COMPONENTS IN USA															
Annual rates of growth															
		CPI													
		Core						TOTAL Confidence Intervals at 80% level			Residual			TOTAL 100% Confidence Intervals at 80% level	
		Non-energy commodities less food			Non-energy services						Food	Energy	TOTAL		
		Durables	Non durables	All	Owner's equivalent rent of primary residence	Other services	All								
								IR Diciembre '13	9.2%	10.5%					
	2013	-0.8	0.6	0.0	2.2	2.5	2.4	1.8		1.4	-0.7	0.5	1.5		
	2014	-1.4	0.5	-0.3	2.6	2.4	2.5	1.7		2.4	-0.3	1.3	1.6		
	2015	-0.8	0.3	-0.2	3.0	2.4	2.6	1.88	± 0.16	1.9	-14.7	-4.7	0.35	± 0.30	
	2016	-0.3	0.4	0.1	3.4	2.4	2.8	2.15	± 0.34	1.8	-1.7	0.6	1.80	± 0.38	
	ANNUAL RATES (growth of the month over the same month of the previous year)	2014	January	-1.0	0.2	-0.3	2.5	2.1	2.3	1.6		1.1	2.1	1.5	1.6
February			-1.1	0.2	-0.4	2.5	2.1	2.2	1.6		1.4	-2.5	-0.2	1.1	
March			-1.2	0.4	-0.3	2.6	2.2	2.3	1.7		1.7	0.4	1.1	1.5	
April			-1.1	0.4	-0.3	2.6	2.5	2.6	1.8		1.9	3.3	2.4	2.0	
May			-1.3	0.7	-0.2	2.6	2.7	2.7	2.0		2.5	3.3	2.8	2.1	
June			-1.5	0.9	-0.2	2.6	2.7	2.7	1.9		2.3	3.2	2.6	2.1	
July			-1.4	0.6	-0.3	2.7	2.5	2.6	1.9		2.5	2.6	2.5	2.0	
August			-1.4	0.5	-0.4	2.7	2.3	2.5	1.7		2.7	0.4	1.7	1.7	
September			-1.5	0.8	-0.3	2.7	2.2	2.4	1.7		3.0	-0.6	1.5	1.7	
October			-1.4	0.9	-0.2	2.7	2.3	2.5	1.8		3.1	-1.6	1.2	1.7	
November			-1.7	0.6	-0.5	2.7	2.3	2.5	1.7		3.2	-4.8	0.0	1.3	
December			-2.0	0.3	-0.8	2.6	2.3	2.4	1.6		3.4	-10.6	-2.1	0.8	
2015		January	-2.0	0.3	-0.8	2.6	2.4	2.5	1.6		3.2	-19.6	-5.9	-0.1	
		February	-1.6	0.4	-0.5	2.7	2.3	2.5	1.7		3.0	-18.8	-5.7	0.0	
		March	-1.2	0.6	-0.2	2.7	2.3	2.4	1.8		2.3	-18.3	-6.1	-0.1	
		April	-0.9	0.4	-0.2	2.8	2.3	2.5	1.8		2.0	-19.4	-6.8	-0.2	
		May	-0.8	0.1	-0.3	2.8	2.2	2.4	1.7		1.6	-16.3	-5.8	0.0	
		June	-0.73	-0.18	-0.44	2.95	2.23	2.51	1.76		1.80	-15.01	-5.17	0.12	
		July	-0.71	-0.02	-0.34	3.04	2.28	2.58	1.84	± 0.09	1.65	-14.13	-4.85	0.26	± 0.12
		August	-0.6	0.2	-0.2	3.1	2.4	2.7	2.0	± 0.16	1.6	-13.9	-4.7	0.4	± 0.41
		September	-0.5	0.2	-0.2	3.2	2.4	2.7	2.0	± 0.22	1.4	-12.8	-4.3	0.5	± 0.62
		October	-0.6	0.2	-0.2	3.3	2.4	2.8	2.0	± 0.28	1.4	-12.7	-4.1	0.6	± 0.68
		November	-0.3	0.4	0.1	3.4	2.4	2.8	2.1	± 0.33	1.3	-9.3	-2.7	1.0	± 0.68
		December	0.0	0.5	0.3	3.5	2.5	2.9	2.3	± 0.36	1.3	-4.3	-0.7	1.6	± 0.68
2016		January	0.1	0.5	0.3	3.5	2.5	2.9	2.3	± 0.38	1.4	4.8	2.6	2.3	± 0.68
		February	-0.2	0.4	0.2	3.6	2.6	2.9	2.2	± 0.38	1.4	2.7	1.9	2.2	± 0.68
		March	-0.3	0.3	0.0	3.6	2.5	2.9	2.2	± 0.40	1.6	-0.5	0.8	1.9	± 0.68
		April	-0.6	0.5	0.0	3.5	2.4	2.8	2.1	± 0.43	1.9	0.6	1.5	2.0	± 0.68
		May	-0.5	0.5	0.0	3.5	2.3	2.8	2.1	± 0.47	1.9	-3.2	0.0	1.6	± 0.68
		June	-0.4	0.5	0.1	3.4	2.3	2.8	2.1	± 0.52	1.9	-4.5	-0.5	1.5	± 0.68
		July	-0.3	0.4	0.1	3.4	2.4	2.8	2.1	± 0.52	1.9	-5.5	-0.8	1.4	± 0.68
		August	-0.2	0.3	0.1	3.4	2.4	2.8	2.1	± 0.52	2.0	-4.0	-0.2	1.6	± 0.68
		September	-0.2	0.3	0.0	3.3	2.5	2.8	2.1	± 0.52	1.9	-4.0	-0.2	1.6	± 0.68
		October	-0.2	0.2	0.0	3.3	2.5	2.8	2.1	± 0.52	2.0	-2.1	0.6	1.8	± 0.68
		November	-0.2	0.2	0.0	3.3	2.5	2.8	2.1	± 0.52	2.1	-1.7	0.8	1.8	± 0.68
		December	-0.2	0.2	0.0	3.3	2.5	2.8	2.1	± 0.52	2.1	-2.1	0.7	1.8	± 0.68

The shadow areas are forecasts.

Source: BLS & BIAM(UC3M)

Date: July 17, 2015

INFLATION FORECAST IN U.S.

Table 4

CONSUMER PRICE INDEX AND COMPONENTS IN USA													
Monthly rates of growth													
IR Diciembre '13			CPI										
			Core						Residual			TOTAL 100%	
			Non-energy commodities less food			Non-energy services			TOTAL	Food	Energy		TOTAL
			Durables	Non durables	All	Owner's equivalent rent	Other services	All					
			9.2%	10.5%	19.7%	22.5%	34.8%	57.4%	77.1%	13.9%	9.0%	22.9%	
MONTHLY RATES (Growth of the month over the previous month)	January	2013	0.2	0.0	0.1	0.2	0.4	0.3	0.3	0.4	0.5	0.4	0.3
		2014	0.0	-0.3	-0.2	0.2	0.3	0.3	0.2	0.4	2.1	1.1	0.4
		2015	0.0	-0.3	-0.2	0.2	0.4	0.3	0.2	0.2	-8.2	-2.8	-0.5
		2016	0.0	-0.3	-0.1	0.3	0.4	0.3	0.2	0.4	0.6	0.4	0.3
	February	2013	0.3	0.5	0.4	0.2	0.4	0.3	0.4	0.0	5.8	2.3	0.8
		2014	0.1	0.5	0.3	0.2	0.4	0.3	0.3	0.3	1.0	0.6	0.4
		2015	0.5	0.7	0.6	0.2	0.3	0.3	0.3	0.1	2.1	0.7	0.4
		2016	0.3	0.6	0.5	0.2	0.3	0.3	0.3	0.1	0.0	0.0	0.3
	March	2013	0.2	0.6	0.4	0.1	0.3	0.2	0.3	0.0	0.6	0.2	0.3
		2014	0.1	0.9	0.5	0.2	0.4	0.3	0.4	0.3	3.5	1.6	0.6
		2015	0.5	1.0	0.8	0.2	0.3	0.3	0.4	-0.3	4.1	1.3	0.6
		2016	0.4	0.9	0.7	0.2	0.3	0.3	0.4	-0.1	0.9	0.3	0.3
	April	2013	0.2	0.2	0.2	0.2	0.0	0.0	0.1	0.2	-1.9	-0.7	-0.1
		2014	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.9	0.6	0.3
		2015	0.6	0.0	0.3	0.2	0.4	0.3	0.3	0.0	-0.5	-0.2	0.2
		2016	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.6	0.5	0.3
	May	2013	0.1	-0.3	-0.2	0.2	0.2	0.2	0.1	-0.1	1.2	0.4	0.2
		2014	-0.1	-0.1	-0.1	0.2	0.4	0.3	0.2	0.4	1.3	0.8	0.3
		2015	0.0	-0.4	-0.2	0.2	0.3	0.2	0.1	0.0	5.2	1.9	0.5
		2016	0.1	-0.3	-0.2	0.2	0.2	0.2	0.1	0.0	1.2	0.4	0.2
June	2013	0.0	-0.5	-0.3	0.2	0.2	0.2	0.1	0.1	1.7	0.8	0.2	
	2014	-0.2	-0.3	-0.2	0.2	0.1	0.2	0.1	0.0	1.5	0.6	0.2	
	2015	-0.13	-0.61	-0.39	0.34	0.21	0.26	0.10	0.20	3.05	1.24	0.35	
	2016	0.0	-0.6	-0.3	0.2	0.2	0.2	0.1	0.2	1.7	0.7	0.2	
July	2013	-0.2	-0.5	-0.3	0.2	0.2	0.2	0.1	0.1	-0.2	0.0	0.0	
	2014	-0.1	-0.7	-0.4	0.2	0.1	0.1	0.0	0.3	-0.8	-0.1	0.0	
	2015	-0.10	-0.54	-0.34	0.32	0.13	0.20	0.07	0.15	0.27	0.19	0.10	
	2016	0.0	-0.6	-0.3	0.3	0.2	0.2	0.1	0.2	-0.8	-0.2	0.0	
August	2013	-0.2	0.5	0.1	0.3	0.2	0.2	0.2	0.2	-0.5	-0.1	0.1	
	2014	-0.2	0.3	0.0	0.3	0.0	0.1	0.1	0.3	-2.7	-0.9	-0.2	
	2015	-0.1	0.5	0.2	0.3	0.1	0.2	0.2	0.2	-2.4	-0.8	0.0	
	2016	0.0	0.4	0.2	0.3	0.1	0.2	0.2	0.3	-0.8	-0.1	0.1	
September	2013	-0.3	1.0	0.4	0.2	0.1	0.2	0.2	0.0	-0.6	-0.2	0.1	
	2014	-0.4	1.3	0.5	0.2	0.1	0.1	0.2	0.3	-1.5	-0.4	0.1	
	2015	-0.3	1.3	0.5	0.3	0.1	0.2	0.3	0.2	-0.3	0.0	0.2	
	2016	-0.4	1.3	0.5	0.3	0.1	0.2	0.3	0.2	-0.4	0.0	0.2	
October	2013	-0.3	0.4	0.1	0.3	0.1	0.2	0.2	0.1	-4.0	-1.6	-0.3	
	2014	-0.2	0.5	0.2	0.3	0.2	0.3	0.2	0.2	-5.0	-1.9	-0.3	
	2015	-0.3	0.6	0.2	0.3	0.2	0.3	0.3	0.2	-4.9	-1.7	-0.2	
	2016	-0.2	0.5	0.2	0.3	0.2	0.3	0.2	0.2	-3.0	-0.9	0.0	
November	2013	-0.3	-0.5	-0.4	0.3	0.1	0.2	0.0	-0.1	-2.3	-1.0	-0.2	
	2014	-0.7	-0.8	-0.7	0.3	0.1	0.2	-0.1	0.0	-5.5	-2.1	-0.5	
	2015	-0.4	-0.6	-0.5	0.3	0.1	0.2	0.0	-0.1	-1.8	-0.7	-0.1	
	2016	-0.4	-0.6	-0.5	0.3	0.1	0.2	0.0	0.0	-1.5	-0.5	-0.1	
December	2013	-0.2	-0.9	-0.6	0.3	0.0	0.1	-0.1	0.1	0.6	0.3	0.0	
	2014	-0.5	-1.3	-0.9	0.2	0.0	0.0	-0.2	0.3	-5.4	-1.8	-0.6	
	2015	-0.2	-1.2	-0.7	0.3	0.1	0.1	-0.1	0.3	-0.2	0.1	0.0	
	2016	-0.2	-1.2	-0.7	0.3	0.1	0.2	0.0	0.3	-0.6	0.0	0.0	

The shadow areas are forecasts. Confidence intervals at 80% calculated whit historical errors.

Source: BLS & BIAM(UC3M)

Date: July 17, 2015

INFLATION FORECAST IN U.S.

Tables 5

INFLATION BY COMPONENTS IN THE CONSUMER PRICE INDEX OF USA Annual average rates												Changes from the previous report	
				Importancia relativa Diciembre 2013	2010	2011	2012	2013	2014	2015	2016	2015	2016
CPI Total	Residual Inflation	Food	Food at home	8.638	0.3	4.8	2.5	0.9	2.4	1.2	1.5	0.4	0.6
			Food away from home	5.704	1.3	2.3	2.8	2.1	2.4	2.8	2.4	0.1	0.6
				13.891	0.8	3.7	2.6	1.4	2.4	1.9	1.8	0.3	0.6
		Energy	Fuel oil	0.275	14.7	22.5	-0.4	-1.2	2.1	-23.4	-8.9	-1.9	-4.9
			Utility gas service	0.834	-2.1	-2.8	-9.6	4.7	7.1	-9.8	2.6	-0.3	-0.4
			Electricity	2.872	0.2	1.9	-0.1	2.1	3.6	0.3	-4.3	-0.3	-0.9
			Motor fuel	5.065	18.4	26.5	3.3	-2.8	-3.8	-23.8	-0.3	-0.8	-1.4
				9.046	9.5	15.4	0.9	-0.7	-0.3	-14.7	-1.7	-0.6	-1.2
			22.937	4.0	8.3	1.9	0.5	1.3	-4.7	0.6	-0.1	0.0	
	Core Inflation	Non energy industrial goods	Used cars and trucks	1.673	12.7	4.1	0.9	-0.3	-0.5	-0.9	0.6	0.7	0.8
			Other durables	7.528	-1.0	0.3	0.0	-0.9	-1.6	-0.8	-0.5	0.0	0.0
			Nondurables less tobacco	9.806	0.5	1.5	2.1	0.4	0.3	0.1	0.2	0.0	0.0
			Tobacco	0.703	10.5	3.4	2.2	2.7	3.0	2.5	2.5	0.0	0.0
			19.710	1.1	1.3	1.3	0.0	-0.3	-0.2	0.1	0.0	0.0	
		Services	Owner's equivalent rent of residences	22.505	0.0	1.2	2.0	2.2	2.6	3.0	3.4	0.2	0.3
			Rent of primary residence	6.977	0.2	1.7	2.7	2.8	3.2	3.6	3.9	0.1	0.2
			Medical care services	5.847	3.5	3.1	3.9	3.1	2.4	2.2	1.5	-0.3	-0.8
			Transportation services	5.571	3.5	3.1	1.8	2.6	1.9	2.1	2.3	-0.3	-0.4
			Communication	2.534	0.0	-1.1	0.5	-0.1	-0.4	-2.4	-1.0	0.2	0.4
			Education	3.049	4.4	4.2	4.0	3.7	3.3	3.7	3.7	0.0	0.4
			Other services	10.870	-0.1	1.8	2.8	2.3	2.5	2.5	2.5	0.1	0.4
				57.353	0.9	1.8	2.4	2.4	2.5	2.6	2.8	0.1	0.1
			77.063	1.0	1.7	2.1	1.8	1.7	1.9	2.1	0.1	0.1	
			100.000	1.6	3.2	2.1	1.5	1.6	0.3	1.8	0.0	0.0	

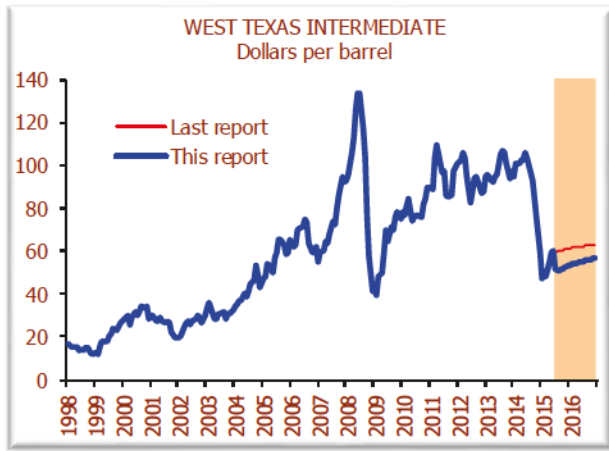
Tables 6

MAIN INDICATORS USED IN CPI USA Annual average rates											Changes from the previous report	
				2010	2011	2012	2013	2014	2015	2016	2015	2016
INDICATORS	Activity indicators	Unemployment rate		3.8	-7.2	-9.6	-9.0	-16.3	-13.0	-5.5	-1.1	-3.2
		Capacity utilization		7.5	3.3	1.3	0.9	1.5	-0.8	-0.3	0.6	0.6
	Dollar Index If (-) the dollar has appreciated	Price-adjusted Broad Dollar Index		4.8	5.4	-2.1	-0.1	-2.1	-7.9	-0.2	-0.5	-0.4
		Nominal Broad Dollar Index		3.7	4.8	-2.7	-1.2	-3.0	-9.4	-0.2	-0.4	-0.3
	Raw agricultural products	The economist		10.6	25.4	21.0	15.8	-5.2	-12.6	4.9	0.7	0.7
	Energy	West Texas		28.8	19.5	-0.8	4.0	-4.7	-43.8	5.0	-4.5	-4.5
		Henry Hub		11.0	-8.9	-31.1	35.4	17.8	-34.5	10.4	-0.4	-0.8
	Import Price Indexes	Durables		-1.1	0.3	0.2	-1.1	-1.3	-1.7	-0.1	0.0	0.0
		Nondurables		1.2	2.5	2.5	1.1	2.0	0.6	0.8	-0.1	0.0
	Producer Price Index- Commodities	Durables		0.5	1.7	2.4	0.8	1.0	1.5	1.6	0.0	0.0
		Nondurables		3.0	4.2	3.7	2.9	3.3	3.8	3.2	0.5	0.4

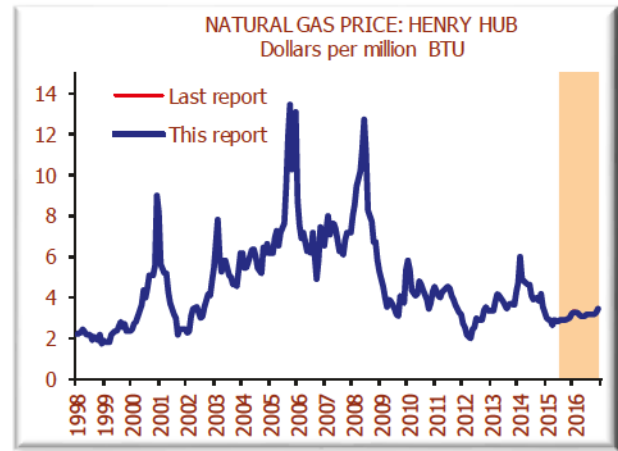
Source: BLS & BIAM(UC3M)
Date: July 17, 2015

ASSUMPTIONS FOR PREDICTIONS

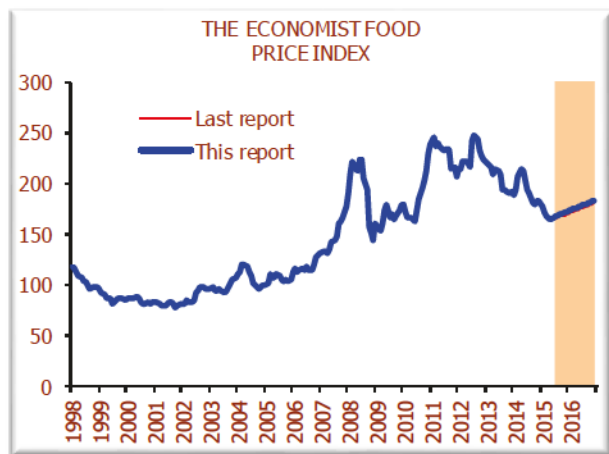
Graph 11



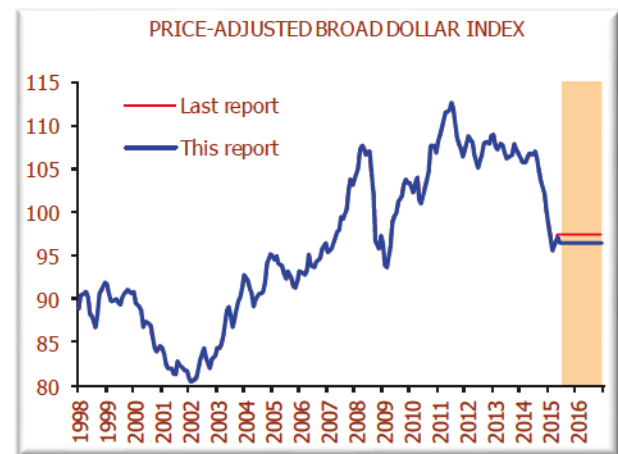
Graph 12



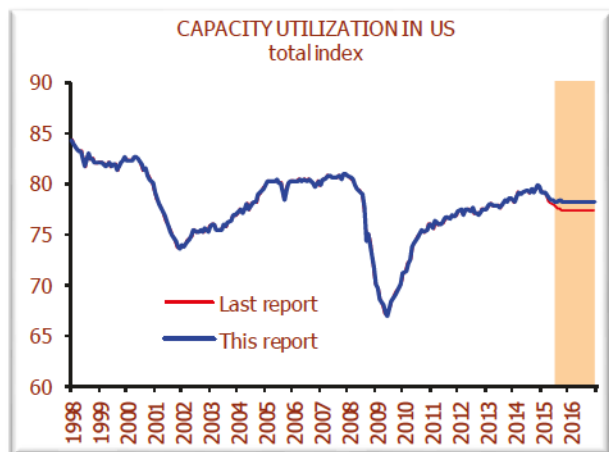
Graph 13



Graph 14



Graph 15



Graph 16



Source: BLS & BIAM(UC3M)
Date: July 17, 2015

Source: BLS & BIAM(UC3M)
Date: July 17, 2015